10/24/86 C8435-1

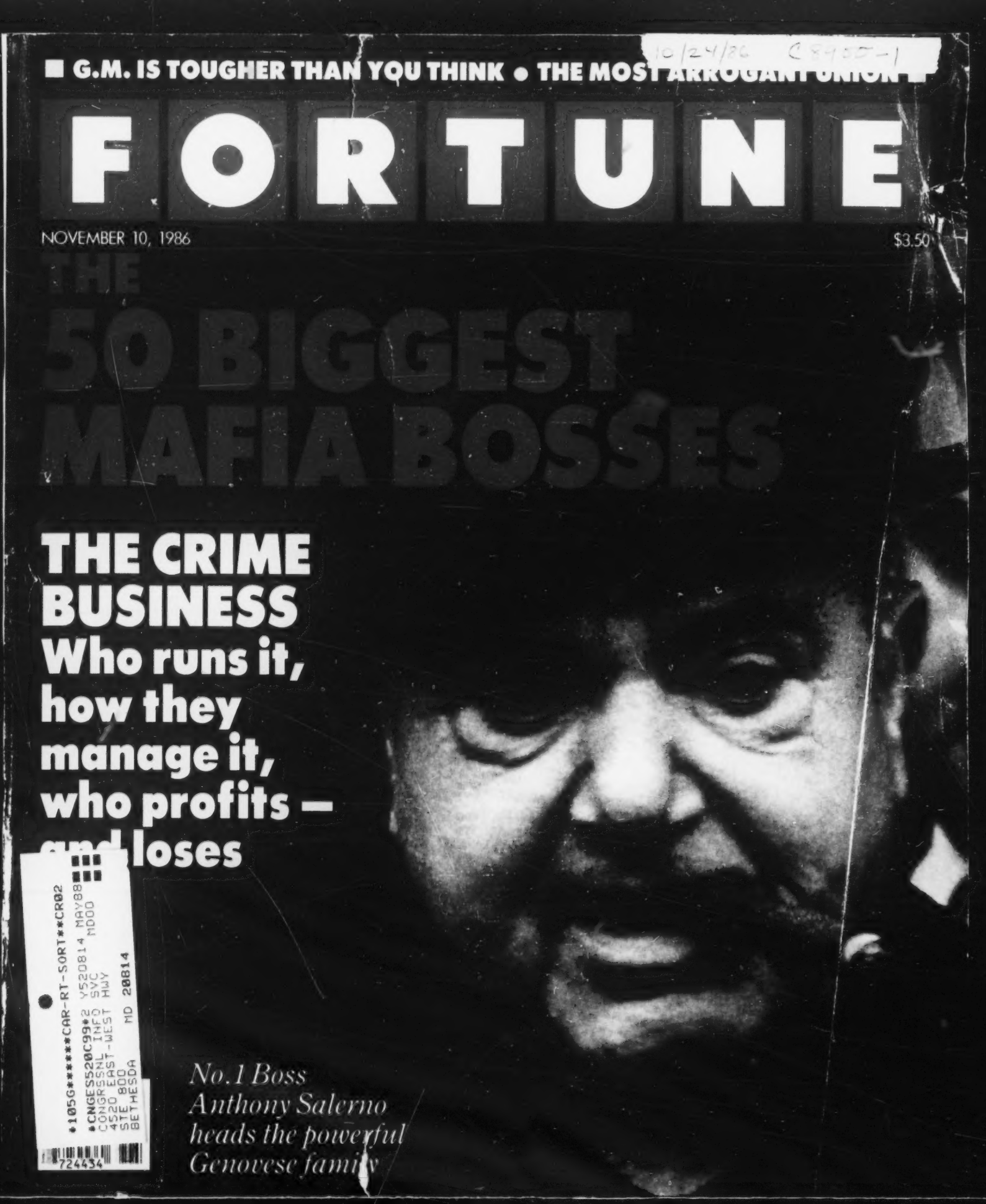
■ G.M. IS TOUGHER THAN YOU THINK • THE MOST ARROGANT UNION

FORTUNE

NOVEMBER 10, 1986 $3.50

THE 50 BIGGEST MAFIA BOSSES

THE CRIME BUSINESS
Who runs it, how they manage it, who profits — and loses

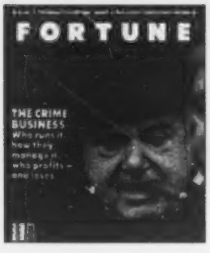


No.1 Boss Anthony Salerno heads the powerful Genovese family

*105G******CAR-RT-SORT**CR02
*CNGESS20C99*2 Y520814 MAY88
CONGRSSNL INFO SVC M000
4520 EAST-WEST HWY
4520 800
STE 800
BETHESDA MD 20814
724434

NOVEMBER 10, 1986 VOL. 114, NO. 11

FORTUNE



Robert Maass of Photoreporters captured Anthony "Fat Tony" Salerno on film as he left federal court in Manhattan, having just been arraigned on racketeering charges. For how he and his colleagues run their businesses, see page 24.

MANAGING

The 50 Biggest Mafia Bosses 24
Meet the men who run the $50-billion-a-year crime business. They face problems any manager would find familiar. And the feds are out to wreck their profit centers. *by Roy Rowan*

- **How They Rank in Wealth and Power** 25
- **The Bookkeeper Who Did His Job Too Well** 31
- **The Mob's Outside Consultants** 34
- **Equal Opportunity in Crime** 38

THE ECONOMY

The $2-Trillion Debt Headache 42
Economists worry less about the vast sum the U.S. government owes than about its rapid growth. *by Sylvia Nasar*

Fortune Forecast:
- **At Last the Trade Tide Has Begun to Turn** 51
- **Measuring the Dollar** 52

CORPORATE PERFORMANCE

GM Is Tougher Than You Think 56
The biggest automaker is taking lumps for letting costs get out of hand and losing touch with customers. But it has finally begun to conquer its own bloated bureaucracy. *by Anne B. Fisher*

Is What's Good for GM Good for EDS? 64

A Dubious Act II at BankAmerica 69
Tom Clausen is back on stage, and his chances don't look good. *by Gary Hector*

Companies to Watch 74

MONEY & MARKETS

The $260-a-Share Bargain Stock 77
Here's a little-known company worth at least $1,000 a share. *by Frank Feldinger*

The New Wall Street 86
The world's financial capital is becoming more habitable. *(A picture portfolio)*

POLITICS & POLICY

How to Cut Farm Spending 97
Drop crop subsidies and pay welfare to farmers who are strapped. *by Lee Smith*

PROFILE

What's So Great About Bobby Inman? 106
The ex-spymaster has never earned a profit, yet savvy financiers are backing his new venture. *by Brian O'Reilly*

People to Watch 112

COMPETITION

A Rust Belt City Takes On a Shine 116
Manufacturing jobs are coming back to Fort Wayne, Indiana. *by Jeremy Main*

LABOR

America's Most Arrogant Union 153
The airline pilots are birds of a different feather. *by Kenneth Labich*

The Editor's Desk 4

News/Trends 8
Rethinking Star Wars, the newest haven for hot money, lite can get you fat, yuppies, aliens, and more.

Follow-Up 14
A mild report on the troubled TVA. Continental Illinois for sale. Computers that got away.

Letters to Fortune 17

Keeping Up 163
by Daniel Seligman

Personal Investing 169
Two industries cashing in on the fallen dollar. Ma Bell. Avoiding tuition migraine. Portfolio Talk: Fund manager Christopher Martin.

Other Voices 183
Boosting your P/E multiple. *by Theodore Pincus*

On the Road 191
Avoiding pain on the plane. *by Don Sider*

Books & Ideas 197
How to be a conservative. *by Herbert Stein*

Office Hours 201
Beauty in the workplace. *by Walter Kiechel III*

THE 50 BIGGEST MAFIA BOSSES

Meet the men who manage a $50-billion-a-year business that reaches into almost every U.S. city. They face familiar problems: aging leadership, less dedicated younger employees, increased foreign competition. And now the feds are trying to wreck their profit centers. ■ *by Roy Rowan*

CRIME PAYS. Annual gross income from the rackets will probably exceed $50 billion this year. That makes the mob's business greater than all U.S. iron, steel, copper, and aluminum manufacturing combined, or about 1.1% of GNP. These figures, compiled for the President's Commission on Organized Crime, include only revenues from traditional mob businesses, such as narcotics, loan-sharking, illegal gambling, and prostitution. They do not include billions more brought in from the mob's diversification into such legitimate enterprises as entertainment, construction, trucking, and food and liquor wholesaling.

The industry that runs this huge part of the economy comprises crime families, not companies. Wharton Econometric Forecasting Asssociates, in a study prepared for the President's Crime Commission, found that the mob's hold on the economy stifles competition and siphons off capital, resulting in a loss of some 400,000 jobs, an increase in consumer prices of 0.3%, a reduction in total output of $18 billion, and a decrease in per capita disposable income of $77 a year. Since organized-crime members cheat on taxes, the rest of the population will pay an estimated $6.5 billion more to the Internal Revenue Service this year.

The organization chart of a crime family or syndicate mirrors the management structure of a corporation. At the top of the pyramid is a boss, or chief executive. Below him are an underboss (chief operating officer) and a *consigliere* (general counsel). Then follow ranks of capos (vice presidents) and soldiers (lower-level employees who carry out the bosses' orders). Like corporations, crime groups often rely on outside consultants (see box, page 34).

For this story FORTUNE interviewed FBI agents, leaders of federal organized-crime strike forces, and local law enforcement officials across the U.S. On their assessment of the wealth, power, and influence of the crime bosses, FORTUNE has ranked them from 1 to 50 on the facing page.

In spite of its clout, organized crime is an industry in crisis. The leadership is old, and the next generation of managers seems to lack spirit, dedication, and discipline. "Today you got guys in here who never broke an egg," a New Jersey Mafia leader complained in a conversation bugged by the FBI. Another reported that a disrespectful underling

ROBERT MAASS—NYC/CORBIS/BETTMANN

NO. 1 ANTHONY SALERNO *leaves Manhattan's federal court after arraignment. His driver, Vincent Cafaro, is on the left.*

HOW THEY RANK IN WEALTH, POWER, AND INFLUENCE

RANK	NAME *Nickname*	AGE	HEAD-QUARTERS	STATUS	FAMILY	SOURCES OF INCOME
1	**ANTHONY SALERNO** *Fat Tony*	75	New York City	IN JAIL, ON TRIAL	Genovese	Construction, unions, gambling, loan-sharking
2	**ANTHONY ACCARDO** *Joe Batters*	80	Palm Springs	FREE	Chicago	Gambling, unions, loan-sharking
3	**ANTHONY CORALLO** *Tony Ducks*	73	Long Island	ON TRIAL	Lucchese	Garbage, extortion
4	**GERARDO CATENA** *Jerry*	84	Boca Raton	FREE	Genovese	Construction, gambling, casinos
5	**GENNARO LANGELLA** *Jerry Lang*	47	Brooklyn	IN JAIL, ON TRIAL	Colombo	Construction, loan-sharking, gambling
6	**CARMINE PERSICO** *Junior*	53	Brooklyn	IN JAIL, ON TRIAL	Colombo	Construction, loan-sharking, gambling
7	**CHRISTOPHER FURNARI** *Christie Tick*	62	New York City	ON TRIAL	Lucchese	Construction, unions, gambling, loan-sharking
8	**SALVATORE SANTORO** *Tom Mix*	70	New York City	ON TRIAL	Lucchese	Construction, unions, loan-sharking
9	**PHILIP RASTELLI** *Rusty*	68	New York City	ON TRIAL	Bonanno	Concrete, unions, loan-sharking, narcotics
10	**VINCENT DINAPOLI** *Vinnie*	49	New York City	INDICTED	Genovese	Construction, unions
11	**RALPH SCOPO**	57	Brooklyn	ON TRIAL	Colombo	Construction, unions
12	**RUSSELL BUFALINO**	83	Scranton, Pa.	IN JAIL	Bufalino	Sweetheart contracts
13	**JOHN GOTTI**	46	New York City	IN JAIL, ON TRIAL	Gambino	Loan-sharking, robbery, phonograph records
14	**JOSEPH BONANNO** *Joe Bananas*	82	Tucson	IN JAIL	Bonanno	Narcotics
15	**SANTO TRAFFICANTE** *Louis Santos*	71	Tampa	FREE	Tampa	Gambling, loan-sharking, narcotics
16	**CARLOS MARCELLO** *Little Man*	76	New Orleans	IN JAIL	New Orleans	Gambling, real estate, nightclubs
17	**FRANK BALISTRIERI** *Frankie Bal*	68	Milwaukee	IN JAIL	Milwaukee	Gambling, liquor, Teamsters pension fund
18	**MICHAEL FRANZESE**	35	Long Island	IN JAIL	Colombo	Movies, auto dealerships, bootleg gasoline
19	**VINCENT GIGANTE** *Chin*	57	New Jersey	FREE	Genovese	Unions, gambling, loan-sharking
20	**JOSEPH FERRIOLA** *Joe Nagall*	59	Chicago	FREE	Chicago	Gambling, extortion
21	**JOSEPH AIUPPA** *Joey O'Brien*	78	Chicago	IN JAIL	Chicago	Gambling, casinos, unions
22	**GUS ALEX** *Slim*	70	Chicago	FREE	Chicago	Gambling, political fixing
23	**VINCENT ALO** *Jimmy Blue Eyes*	82	Miami	FREE	Genovese	Gambling, casinos, money laundering
24	**ANTHONY INDELICATO** *Bruno*	39	New York City	ON TRIAL	Bonanno	Narcotics
25	**MICHAEL GENOVESE** *Mike*	65	Pittsburgh	FREE	Pittsburgh	Gambling
26	**JOSEPH N. GALLO**	74	New York City	FREE	Gambino	Pornography, real estate
27	**PHILIP LOMBARDO** *Benny Squint*	78	Miami	FREE	Genovese	Construction, gambling, loan-sharking
28	**RAYMOND MARTORANO** *Long John*	59	Philadelphia	IN JAIL	Philadelphia	Narcotics, unions, vending machines
29	**ANTHONY PROVENZANO** *Tony Pro*	69	New Jersey	IN JAIL	Genovese	Unions
30	**JOHN CERONE** *Jackie*	72	Chicago	IN JAIL	Chicago	Casinos
31	**JAMES NAPOLI** *Jimmy Napp*	75	New York City	FREE	Genovese	Gambling, loan-sharking
32	**PAUL VARIO SR.**	72	New York City	IN JAIL	Lucchese	Gambling, robbery
33	**CARL DELUNA** *Toughy*	59	Kansas City, Mo.	IN JAIL	Kansas City	Gambling, casinos
34	**GENNARO ANGIULO** *Jerry*	67	Boston	IN JAIL	Boston	Numbers, loan-sharking, money laundering
35	**MATTHEW IANNIELLO** *Matty the Horse*	66	New York City	INDICTED	Genovese	Unions, topless bars, loan-sharking
36	**JAMES FAILLA** *Jimmy Brown*	67	New York City	FREE	Gambino	Unions
37	**JOHN RIGGI SR.**	61	New Jersey	FREE	DeCavalcante	Construction, waterfront unions
38	**LOUIS MANNA** *Bobby*	57	New Jersey	FREE	Genovese	Construction, gambling, loan-sharking
39	**JOHN DIGILIO** *Johnnie Dee*	53	New Jersey	FREE	Genovese	Waterfront unions, gambling, loan-sharking
40	**WILLIAM CAMMISANO** *Willie*	71	Kansas City, Mo.	FREE	Kansas City	Gambling, loan-sharking, fencing
41	**VINCENT MELI** *Little Vince*	62	Detroit	FREE	Detroit	Steel hauling
42	**VINCENT SOLANO** *Vince*	67	Chicago	FREE	Chicago	Gambling, unions
43	**NICODEMO SCARFO** *Nicky*	57	Atlantic City	FREE	Philadelphia	Gambling, numbers, unions
44	**TINO FIUMARA** *George Grecco*	46	New Jersey	IN JAIL	Genovese	Waterfront unions
45	**DONALD ANGELINI** *Don Angel*	60	Chicago	FREE	Chicago	Gambling
46	**PETER MILANO** *Pete*	60	Los Angeles	FREE	Los Angeles	Gambling
47	**PAUL SCHIRO** *Paulie*	45	Phoenix	FREE	Chicago	Gambling
48	**CHRIS PETTI**	47	San Diego	FREE	Chicago	Gambling
49	**ANGELO TUMINARO** *Little Angie*	81	Unknown	FUGITIVE	Lucchese	Narcotics
50	**FRANK BUCCIERI** *The Horse*	62	Palm Springs	FREE	Chicago	Loan-sharking

Based on information from FBI agents, federal prosecutors, and local law enforcement officials, FORTUNE *compiled this list of top Mafia leaders, their territories, and their lines of business. Although 17 of the mobsters are in jail, they retain their power, issuing orders by phone and through visitors.*

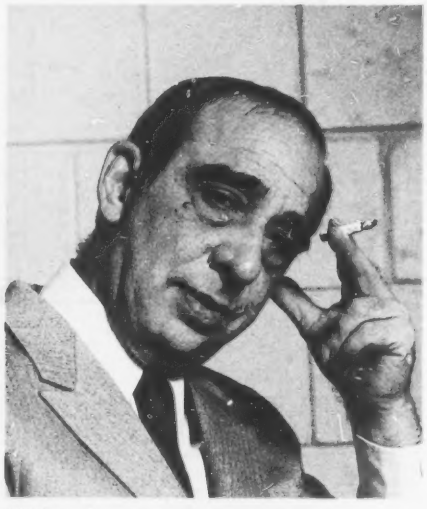
FACES FROM THE UNDERWORLD

CYNTHIA JOHNSON—TIME

NO. 2 ANTHONY ACCARDO *testifies before a Senate committee in 1983. Of Al Capone he says, "Met him at the race track."*

ANGEL FRANCO—WOODFIN CAMP

NO. 3 ANTHONY CORALLO, *now on trial, is the boss of the Lucchese clan. His lieutenants boast: "We rule JFK Airport."*



YVONNE HEMSEY—GAMMA LIAISON

NO. 6 CARMINE PERSICO, *the Colombo boss, calls organized crime a "government invented" expression.*

had addressed him by his nickname. The FBI says that the Mafia membership is shrinking. To bolster the lower ranks, the bosses have been recruiting tough young trainees from Sicily, called "Greenies."

The Mafia, the largest and best-established crime organization, is up against forceful new competition from Asian and Latin American underworld groups that specializ in heroin, cocaine, and marijuana (see box, page 38). These drug smugglers and dealers not only have destroyed the monopoly that the mob once had but also have put some Mafia veterans in the uncomfortably subservient role of acting as their distributors.

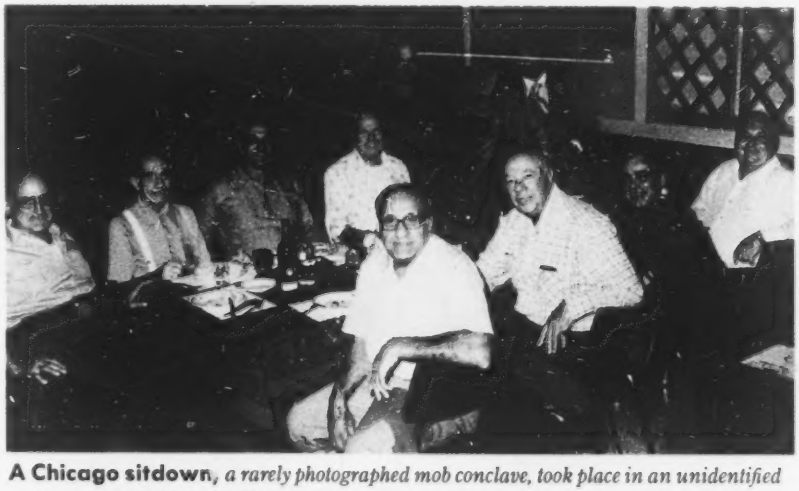
The most serious challenge comes from federal law enforcement officials, who are now effectively using the 16-year-old Racketeer Influenced and Corrupt Organizations (RICO) statute to prosecute mobsters. G. Robert Blakey, the Notre Dame law professor who drafted the 1970 law, says that it usually takes prosecutors some time to recognize the force of new legislation.

Recent indictments under the RICO statutes have brought about half the 50 most important crime members to trial, including No. 1, Tony Salerno, godfather of the Genoveses, the strongest Mafia family. Salerno is a defendant in the so-called Commission trial in New York. The government is trying to convict him and six other members of the Mafia's national ruling council, the Commission, of being part of a racketeering enterprise. Most of the accused sit stone-faced and silent in the courtroom. But Carmine Persico (No. 6), the basset-eyed boss of the Colombo family, is acting as his own lawyer.

Pressure from law enforcement agencies is forcing the mob to change some of its management techniques. Members of the Commission used to gather in large ceremonial "sitdowns" to settle their business problems. The FBI's extensive use of wiretaps and electronic bugs have made sitdowns prime surveillance targets, and these meetings have become less frequent affairs. The Mafia leaders are even reducing business lunches and dinners in their old public hangouts. Wherever possible, bosses use couriers to pass along their orders.

Mafia chieftains are also trying to snuff out disputes, which can flare in public and attract further FBI attention. But their voracious appetite for money usually defeats such nonadversarial policies.

The Mafia has always been able to surmount its other problems, overpower its adversaries, and outrun the feds. Even if the Commission members are jailed, their operations will con-



MICHAEL L. ABRAMSON—CHICAGO CRIME COMMISSION

A Chicago sitdown, *a rarely photographed mob conclave, took place in an unidentified restaurant, probably in 1978. Among those gathered are members of the Chicago Outfit including: Tony Accardo (front, center of the picture); Jackie Cerone, No. 30 (standing in suit); and Joe Aiuppa, No. 21 (extreme left), a former Chicago boss who is now in jail. IRS agents found the picture in the house of gambling boss Joe DiVarco (second from right).*

NO. 8 SALVATORE SANTORO, *a Lucchese underboss (left), with his lawyer Samuel H. Dawson, faces extortion charges.*

NO. 11 RALPH SCOPO, *a Colombo soldier and union boss, is accused of conspiring to shake down construction companies.*

NO. 13 JOHN GOTTI, *dapper as usual at his racketeering trial in Brooklyn, is the self-proclaimed leader of the Gambino family.*

tinue. Bosses behind bars are not powerless. Their "access to telephones is virtually unlimited," assistant FBI director Oliver Revell told a Senate committee in 1983. The late Nick Civella, he pointed out, "was running the Kansas City mob from federal prison." If the Commission members' prison terms are long or if they die in jail, new leaders will rise in each family to take their place. Their replacements, whose names appear below them on the top 50 list, may turn out tougher still.

The culture of organized crime—based on greed, tenacity, and discipline—remains strong. Mob members call each other "wise guys," and so-called wise-guy rules define a strict code of conduct. For one thing, a member who vouches for someone who ultimately betrays the organization takes the hit—usually before reprisals against the stool pigeon. For another, if a fixer takes a mob payoff, he must produce precisely what he promises. No excuses or refunds are accepted.

The crime industry is organized geographically. Though the mob's grasp reaches most major cities—Seattle is an exception—two-thirds of the Mafia's membership is concentrated in New York and Chicago. The Commission adjudicates territorial disputes, settles business conflicts, and even passes on execution sentences.

Five sometimes-warring Mafia families control New York City—the Genoveses, Gambinos, Luccheses, Bonannos, and Colombos. Induction into these families involves a swearing-in ritual that calls for the taking of a secret oath and the giving of a drop of blood. In Chicago a single Mafia organization called the Outfit runs matters with less friction. There the initiation rite is consummated like a business deal, with a handshake. The Outfit also influences mob activities in Milwaukee, Kansas City, Phoenix, Las Vegas, and Los Angeles.

According to the FBI there are only about 1,700 sworn, or "made," Mafia members.

NO. 18 MICHAEL FRANZESE, *the jailed Colombo capo, is a second-generation mobster. His father is a convicted bank robber.*

For each member, the government figures there are ten "associates." Wharton Econometric Forecasting Associates estimates that the average annual income for an individual organized-crime member was about $222,000 between 1979 and 1981. Of course, the haul for the top 50 crime bosses would be much higher. The forecasters used data from the FBI as well as income statistics from the IRS—gross income from tax returns and average unreported income from criminal and civil cases. Wharton also estimated that associates made an annual average of $61,000 over that period. Associates advance to full membership in the organization by loyally carrying out orders and by being willing to kill. According to the Wharton study, some 265,000 people are employed in businesses run, at least in part, by organized crime.

Underworld leaders often reinvest their swag, kickback money, or bribes in legitimate enterprises. Such diversification is less risky than expanding an illegal operation. Furthermore, benign business can camouflage much criminal activity and reduce the danger of prosecution for income tax evasion.

In doing business with law-abiding companies, mob leaders have learned to cash in on their notorious reputation without automatically resorting to violence. Fraud and intimidation are their favorite tactics. Says Steven J. Twist, chief assistant attorney general of Arizona: "The dangerous thing about organized crime today is it has become semi-legitimate."

continued

REPORTER ASSOCIATE *Andrew Kupfer*

A common racketeer strategy is to control a union so that it willingly signs cut-rate "sweetheart" contracts with mob-run companies and threatens to strike competitors. Underworld leaders have used unions to influence and infiltrate many legitimate businesses, from warehouses to nightclubs. Wharton forecasters figure that the involvement of organized crime tends to push prices up between 0.5% and 2% in these and related industries, such as food and liquor distribution.

A corrupt union is a profit center. It offers almost unlimited opportunities for extortion through the use of "ghosts" (fictitious workers) and "no-shows" (employees who do not come to work) and the threat of slowdowns. Mob-controlled unions and labor-leasing companies supply security guards for nuclear power plants, garbage collectors for most New York City office buildings, and truck drivers for Shell Oil, Coca-Cola, and International Paper, among many others. "A union can be used instead of a gun or a baseball bat," says Edward McDonald, chief of the Organized Crime Strike Force in Brooklyn.

ANTHONY SALERNO, 75, whose name appears first among the top 50, heads an underworld conglomerate with enterprises on both sides of what for him, at least, is an indistinct line separating illegal from legitimate business. Known as "Fat Tony" ("Too fat to flee," chide his underworld cronies), he presently resides at the Metropolitan Correctional Center in Manhattan, next door to the U.S. Southern District Court, where he and other alleged Commission members are on trial.

Salerno's power does not stem solely from his position as head of the 300-member-strong Genovese family. Even before he became boss in 1980, Salerno made more money than most Mafia chieftains, mainly by skimming from casinos in Nevada and the Caribbean. Skimming is taking cash off the top of gambling proceeds before they are reported as taxable revenues. Law-abiding casinos take pains to prevent skimming; in mob-controlled casinos the practice is encouraged and widespread. The easiest way to skim is to simply walk into the counting room and take the money, a casino operator was overheard by the FBI to say. A recent indictment charges Salerno and his cohorts with operating a number of illegal gambling joints for betting on numbers and sports. In addition, they make "extortionate extensions and collections of credit"—that's how the Justice Department defines loan-sharking. Salerno is accused of using "threats and beatings to force victims to pay illegal interest and to repay loans."

Crime boss No.1 also has thriving business interests in New York City's construction industry. According to Justice Department disclosures in the Commission case and in another racketeering indictment, between 1981 and 1985, Salerno and his colleagues imposed a 2% Mafia tax on New York City contractors pouring concrete for all superstructures costing more than $2 million. They ran a cartel that rigged bids for supplying the concrete. The cartel decided in advance which company would submit the winning bid. Other companies were forced to put in bids that were unacceptably high. The 2% tax alone produced $3.5 million in profits for the Mafia on the 72 construction jobs the government investigated. That's only a fraction of the buildings that have gone up in New York's recent real estate boom, for which the mob supplied concrete. One witness told the President's Crime Commission that the mob has inflated Manhattan construction costs by as much as 20%.

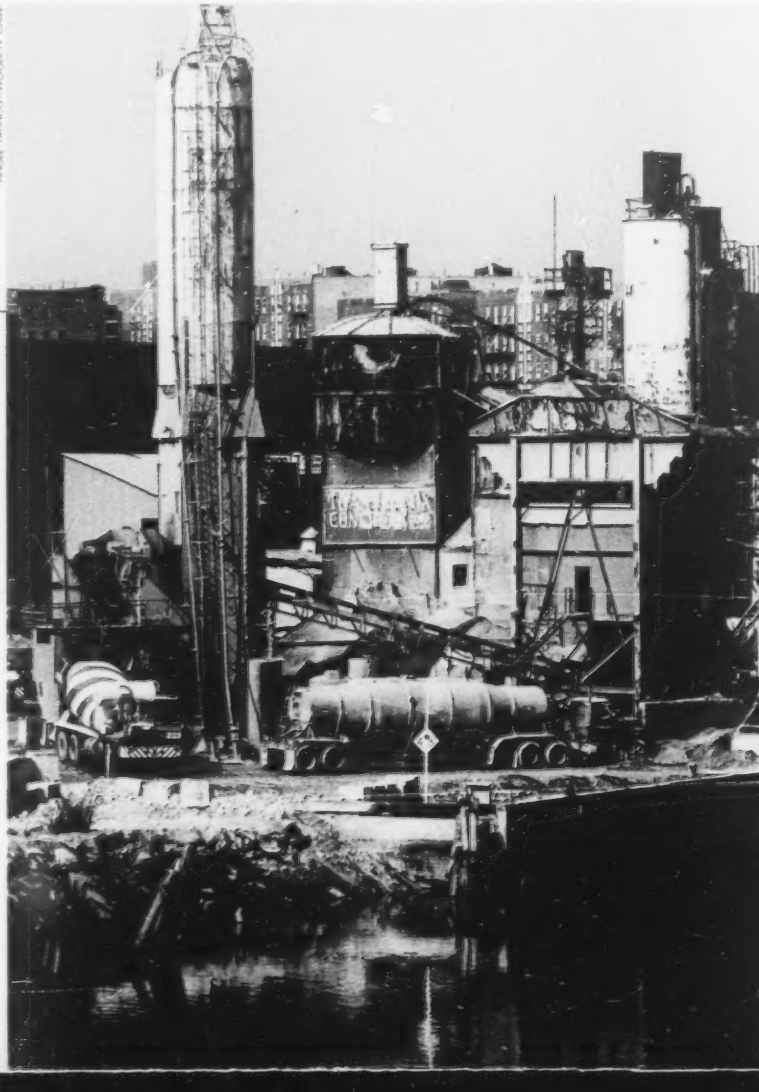
Salerno, according to the indictment, "is a hidden partner" in a covey of companies that bid on the concrete construction work. Together they have won contracts worth more than $71 million from ten big construction jobs, including Trump Plaza, a luxury apartment building on Manhattan's East Side.

The government charges that bidding on these projects was further rigged in favor of Salerno's companies through collusion with two ready-mix firms: Certified Concrete Co. and Transit-Mix Concrete Corp. Both are owned by Edward J. "Biff" Halloran, who is better known for the midtown hotel Halloran House, which he once owned. He denies any collusion.

Any contractor who dared bid against the mob cartel faced a cutoff of ready-mix or problems with its delivery. The federal indictment charges that Salerno also holds sway over Teamsters Local 282, whose members drive concrete delivery trucks. A punishment for recalcitrant contractors: de-

CONCRETE AS A MOB WEAPON

Organized crime, the government charges, carried out bid-rigging schemes on the construction of at least 16 Manhattan skyscrapers, including the apartment buildings at far right, by threatening to cut off delivery of concrete from this and other plants. Investigators estimate that such collusion inflates New York City construction costs by as much as 20%.



ANGEL FRANCO-WOODFIN CAMP

lays and other, more serious labor problems.

Salerno's hand in union affairs reaches right to the top. The Justice Department charges that it was he who "selected" Roy Williams to lead the International Brotherhood of Teamsters in 1981 and then ordered union officials to elect him president. Williams was imprisoned for conspiring in 1979 to bribe Howard Cannon, then a U.S. Senator from Nevada. Even so, federal prosecutors say that Salerno continues to hold "effective control" of the union under the current president, Jackie Presser.

Tony and his wife, Margaret, often relaxed at their estate in Rhinebeck, New York. For the five years that ended last December, they were a two-income family. The government charges that Marathon Enterprises, a New Jersey food-processing company, paid Margaret "brokerage fees" on sales of hot dogs and other delicatessen foods to supermarkets, sports arenas, and street vendors. She received these payments even on sales to such reputable companies as Chock Full O' Nuts (restaurants), Pathmark (supermarkets), and Canteen Corp. (vending machines). The Justice Department claims that Genovese soldiers arranged the kickbacks by threatening Marathon with "force, violence, and fear of economic loss."

For all his wealth and power, Salerno operated modestly before being arrested. His office was not in one of the gleaming midtown Manhattan towers whose construction costs he had driven up, but in the Palma Boy Social Club, in a storefront in teeming East Harlem. For a long time Salerno attended to business at the Palma or puttered around his Rhinebeck estate without encountering much trouble from the feds. His principal worry was his weight, and he spent weeks at fat farms trying to slim down. The plump times ended after the FBI planted a bug in the Palma Boy Club, which produced much of the evidence for the racketeering charges Salerno now faces. Even if he is convicted and sent to prison, Salerno will probably continue his unchallenged control of the Genovese family.

CHICAGO'S BOSS, Anthony Accardo, 80, boasts that he has never spent a night in jail. Like many a chief executive lately, he was called back from retirement (at the Indian Wells club near Palm Springs, California) when the organization he had long headed faced a sudden management crisis: The leadership of the Chicago Outfit was packed off to jail early this year. Accardo's renewed position raises him to No. 2 on the list.

Accardo is reputed to have been a machine-gunner for Al Capone, and he is called "Joe Batters" by his Mafia cronies because of the baseball bat he formerly used for persuasion. He has always been a master of strategic planning. His formidable Outfit is a racketeering combine that runs everything from diaper services to funeral parlors; its efficiency is envied throughout the Mafia. Accardo was the architect of the intricate power plays that made the Outfit the dominant force in the rackets from the Great Lakes to the Pacific over the past decade. Now, with a cadre of couriers winging back and forth from Chicago to California, he functions as the chairman of the board. His operations chief in Chicago is Joseph Ferriola, 59, a disciplined underboss who survived heart bypass surgery last year and is No. 20 on the list. Ferriola's organizational skills are well known. In the Seventies he muscled back into the fold the bookies in Chicago who had tried to be independent.

Discipline is the Outfit's guiding management principle. The Chicago mob imposes a "street tax" on all illegal activities and on some legitimate ones as well. Bookies, hookers, narcotics peddlers, even owners of bars, restaurants, and parking lots pay from 10% to 50% of their gross revenues, depending on the profitability of their operations and the amount of protection required to keep them running. Another city with a street tax is Philadelphia. But organized-crime leaders there have not been very effective in collecting it—not even after the so-called Docile Don, Angelo Bruno, was murdered in 1980 and replaced by the violence-prone Nicodemo Scarfo (No. 43) in a prolonged 18-death gang war in the City of Brotherly Love.

The Outfit maintains especially tight discipline over its internal security. Chicago insurance executive Allen Dorfman, a sophisticated money manager, pioneered the use of union welfare and pension funds to finance an underworld bank in the 1960s. First he funneled loans from the Teamsters' Central States pension fund to several casino-hotels in Las Vegas. Then he showed Accardo and associates how to establish health care organizations in which participating doctors and dentists gave the Outfit kickbacks after overcharging union patients. Dorfman, who personally received kickbacks for processing the Teamster loans and insurance claims, knew too much about the Outfit's finances. He was gunned down in a suburban Chicago parking lot in 1983.

Beginning in 1970 strongman Anthony Spilotro was stationed in Las Vegas to monitor casino skimming and to see that the money flowed smoothly back to his bosses in Chicago. Known as "Tony the Ant" because of his squat, close-to-the-ground appearance, he did not keep an appropriately low business profile, operating out of a Las Vegas hamburger joint called the Food Factory.

Trump Plaza: *$7.8 million in concrete*

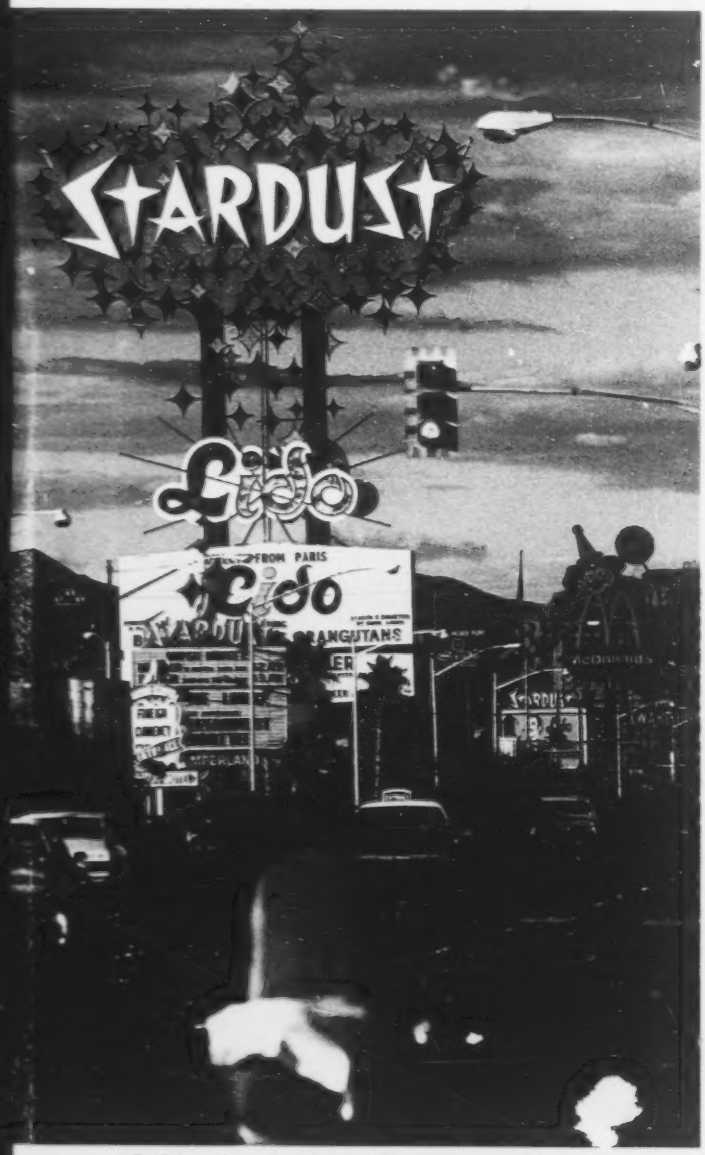
The Columbia: *a $10.4-million contract*

From there he dabbled in real estate and set up sidelines to control burglary, fencing, and prostitution on the Strip.

But Spilotro failed to keep the skimming operation well disciplined. Some of the men he supposedly controlled turned up as government witnesses, resulting in the January conviction of Chicago's former ruling duo, Joseph Aiuppa (No. 21) and John Philip "Jackie" Cerone (No. 30). Imprisoned with them were seven other gang leaders, including Carl DeLuna (No. 33), the Kansas City mob's comptroller, whose meticulously kept financial records were uncovered by the FBI (see facing page).

Last June, Tony Spilotro and his brother Mike were found buried in an Indiana cornfield. Investigations suggested they had been garroted and may have been buried alive. In any case, they were victims of wise-guy rules: They had not prevented the guys from spilling the beans, so they suffered the consequences. "There's no way Spilotro could have been killed without Accardo's approval," says Patrick Healy, executive director of the Chicago Crime Commission.

Spilotro's execution may lead to the disintegration of an important peace-keeping pact, hatched by Accardo in 1977, that ceded authority in Las Vegas to the Outfit in Chicago and gave Atlantic City to New York Mafia families. Former FBI agent William Roemer, who spent 23 years tailing Accardo and his cohorts and now is a consultant to the Chicago Crime Commission, says the deal had a grandfather clause. "According to the 1977 agreement, the Eastern mob could keep what it had in Las Vegas, but it couldn't start anything new. Spilotro was there to enforce the edict."



ANGEL FRANCO—WOODFIN CAMP

A skimming citadel, *the Stardust is one of the Las Vegas casinos where cash was diverted from counting rooms to the mob.*

In the confused aftermath of Spilotro's death, competition from New York is challenging the Outfit's hegemony in Las Vegas. Federal and state authorities as well as the Las Vegas police have detected a resurgence of Eastern mob activity, particularly by the Genoveses. "The Outfit's beat up real bad," says an undercover cop. "Not just in Chicago, but here in Las Vegas. The New York guys are taking advantage of it."

Police say that Vincent "Chin" Gigante (No. 19), a Genovese capo, is seizing much of the power previously held by the Outfit and dispensed through Spilotro. Gigante is gigantic, a hulking former boxer who fits the Genovese rough-and-tumble style. He serves on what amounts to the Genoveses' three-man executive committee, with Tony Salerno and Louis Manna (No. 38).

The aftershock of Spilotro's assassination and the vacuum it has left in Las Vegas have hurt the Outfit's reputation on the West Coast. Other mobsters have taken to calling its California operatives the "Mickey Mouse Mafia." This doesn't bode well for West Coast boss Peter Milano (No. 46), who is supported by Accardo in Los Angeles. When a franchise operated by the Outfit turns sour, it can prove terminal for any field representative connected with it. What is happening on the West Coast may be a mild precursor of things to come in Chicago. The aged Accardo has heart disease, and when he dies the Outfit may find itself in turmoil.

AMONG THE MAFIA'S aging executives a true yuppie has emerged. Michael Franzese (No. 18), the son of convicted bank robber and Colombo chieftain John "Sonny" Franzese, is a fast-talking 35-year-old businessman and handsome father of five. He put together a cartel that produced feature movies (including the horror film *Mausoleum* and a youth-gang musical called *Knights of the City*), ran a discothèque, sold and repaired automobiles, operated construction firms, and achieved a near monopoly of independent gasoline sales on Long Island. Mike seemed to strive to shed the reputation of his father, telling the press last year: "Absolutely, I know people that my father associated with. That doesn't mean I have to do business with them, or have to be part of any type life they're alleged to be in. It's all nonsense."

A 28-count, 99-page federal indictment tells another story. The government accuses young Franzese of ripping off more than $5 million in tax fraud, insurance fraud, fraudulent loans, and the fraudulent operation of two auto dealerships. The victims of his car sales scam included General Motors, Mazda Motors of America, and Beneficial Commercial Corp. Investigations also reveal that he cheated New York, New Jersey, and Florida out of hundreds of millions in gasoline taxes.

The gas tax scam was accomplished through what federal prosecutor Jerry D. Bernstein calls a "daisy chain of phony companies." Some 20 Franzese oil and gas distributors would make paper sales of gasoline from one company to another until the whole tax bill was owed by one firm known as the "burnout company." It consisted only of a mailing address, a telephone, and a corporate principal who was an illegal alien. The burnout company, in turn, sold the gas to retailers

THE BOOKKEEPER WHO DID HIS JOB TOO WELL

■ As underboss and comptroller of the Kansas City mob, Carl DeLuna felt immense concern for his fiduciary responsibilities. "Toughy," as he is known, called his meticulous record keeping "doin' the right thing." It proved much too right. In January his handwritten documentation of how cash was skimmed from the Tropicana and Stardust casinos in Las Vegas sent nine gangsters to jail, including DeLuna.

The ledgers revealed that between 1976 and 1979, the mob extracted $2.3 million from the two casinos' counting rooms before taxable revenues had been declared. In an October 1977 entry, DeLuna recorded the sitdown in Chicago at which top mob executives determined how the skimming operation would work. The notes proved DeLuna as reliable a recording secretary as he was a bookkeeper. Until the documents were uncovered, federal authorities never suspected that a mobster would keep a record of so important a conclave.

The crime bosses who convened in Chicago agreed that couriers—one DeLuna code-named "Deerhunter" and another, a Chicago policeman he called "Stompy"—would deliver the loot each month to the families in Kansas City, Milwaukee, Chicago, and Cleveland. Distribution of the cash was done the same way corporations declare dividends. The mob bosses and underbosses in the four cities held shares, or "points," in the Stardust and Tropicana; they received a certain amount for each share.

Sometimes the shareholders received extra dividends: DeLuna's ledger shows that skimming produced a $130,000 bonus in January 1979 that he called a "surprise number." The next regular dividend, however, failed to materialize. DeLuna recorded the reason: A key skimmer got sick.

FBI agent William N. Ouseley, who found the books hidden in the basement, attic, and ventilating ducts of DeLuna's house, had no trouble cracking the code that camouflaged the various entries. No. 22, for example, stood for Chicago boss Joe Aiuppa. No. 21 was Aiuppa's enforcer, Jackie Cerone. The nicknames "Fancypants" or "Beerman" applied to Frank Balistrieri, the Milwaukee boss. "ON" (for *onorevole*, meaning honorable in Italian) was Nick Civella, the Kansas City Mafia chief and DeLuna's boss.

4-24-78 Mon - To see CT, Carson, Craig & Genius.
Ret. 4-30, Sun - San came & went there 10:30 AM Fri - 4/28. (I pd. personally for San's fare out & in & also for any personal purchases)
Out - 370 - went further (310) & doubled back (60)
in - 187
1st stanz 200
2nd stanz 300
misc 273 - (food, cleaning, tips, cabs, petty & ect.)
1330

COH bal = ,572

DELUNA'S UNLUCKY LEDGERS

The code above itemizes $1,330 in expenses for DeLuna's 1978 trip to Las Vegas to force mob front man Allen Glick ("Genius") to sell his two casinos. "In" and "out" represent round-trip airfare. "Stanz" stands for room in Italian.

MIKE MARE—WOODFIN CAMP

DeLuna was a cautious accountant. If he did not actually see the money change hands, he said so to distance himself from any defalcations.

He embarked on an important mission in 1978. His assignment: to force Allen R. Glick ("Genius"), the licensed owner of the Stardust and another casino-hotel, the Fremont, to sell out or risk the murder of his two children. The mob, which had begun to distrust Glick, thought it could skim more under another owner. In Las Vegas, DeLuna met first with three members of the Mafia's skimming team: Carl Thomas ("CT" in the ledger page below), a gambling boss at the Tropicana; Joe Agosto ("Ceaser"), casino manager at the Tropicana; and Frank "Lefty" Rosenthal ("Craze"), the mob's man at the Stardust. Next he met Glick, who two days later announced his casinos were for sale.

Four days after DeLuna left for Las Vegas, his wife, Sandy ("San"), followed for the weekend. True to form, DeLuna's accounts show that he paid "personally for San's fare out and in and also for any personal purchases." As one of DeLuna's cronies confided to the FBI, "He kept track of who got what, just so if anybody asked, he could show everything was right, that he hadn't grabbed a dime of that money for himself."

The carefully kept records were only partially responsible for the jailing of Chicago's then Mafia leaders, Aiuppa and Cerone. The testimony provided by Glick, who told about the threats the mob used to force him to unload his casinos, also helped. So did the mob's avarice. The Chicagoans might never have turned up in DeLuna's ledgers if they had not tried to make the most of their role as conciliators. They tried to mediate between the bosses in Kansas City, Milwaukee, and Cleveland who got to squabbling over the casino spoils in 1975. For their efforts the Chicago mob demanded a 25% fee.

DeLuna's books depict Mafia benevolence toward both the greedy and the needy. In 1979, $1,500 went to then Kansas City Teamster chief Roy Williams, code-named "Rancher," who used his influence to help arrange Teamster loans to the mob-controlled casino-hotels. The skimming money also supported a welfare program. DeLuna once noted that after he, Civella, and the others divided some $30,000, smaller amounts ranging from $1,000 to $3,000 were handed out to elderly Mafiosi and to the families of imprisoned mobsters.

ANGEL FRANCO—WOODEN CAMP

The Mardi Gras, *a girlie bar in Manhattan, was one of many businesses operated by Genovese capo Matthew Ianniello, No. 35.*

with an invoice marked "all taxes paid." Then the burnout company would declare bankruptcy, and Franzese would create another daisy chain.

In spite of his clean-cut image, Mike Franzese inherited his father's business tactics and violent ways. According to Bernstein, one of his goons broke the head of a competitor with a ball peen hammer. And an auditor who questioned Franzese's books was threatened by a Franzese associate: "You don't know who you're *bleeping* with. We'll cut your heart out." Franzese told a friend who could implicate him in the gasoline tax scam that the man's son would be murdered if he didn't vanish beyond the reach of U.S. courts. The man fled to Panama. Four months later he returned in federal custody to testify against Franzese.

In March, Franzese agreed to plead guilty to racketeering and conspiracy charges, accept a prison term of ten years, forfeit assets worth $4.8 million, and pay an additional $10 million to the states defrauded in the gasoline tax scam. He was able to persuade the Justice Department that he couldn't possibly come up with the $14.8 million if he was stuck behind bars—not even after selling his various houses and signing over his movie rights. An extraordinary deal was struck. Before going to prison, Franzese was permitted limited freedom under the guard of deputy U.S. marshals. The surveillance costs were to be paid by Franzese, who was soon seen (and to the embarrassment of the government filmed by an NBC-TV news crew) scurrying around Hollywood with his posse in tow. The farce ended when Franzese, reverting to form, gave a bad check to the U.S. Marshals Service to pay for his guards. A federal judge sent him off to prison.

The investigation of Franzese's affairs revealed yet another crooked business—the 700-member Allied International Union, a large labor union of private security guards. Its members worked in sensitive spots as diverse as nuclear power plants and gambling casinos. Allied International had been a joint venture of the Genoveses, Gambinos, and Colombos. But when the Genovese and Gambino partners died, it became exclusively a Colombo operation.

Before Allied International came under Franzese's wing, Daniel Cunningham, a builder in Smithtown, Long Island, thought he had bought control of the union from one of the Genoveses for $90,000. Cunningham saw a way to get rich. He took $134,000 a year in salary and expenses and put his wife, ex-wife, and girlfriend on the union payroll. Cunningham admitted trying to call a guard strike against five nuclear power plants along the Eastern Seaboard, including Three Mile Island, and threatening to strike the Atlantic City casinos. He was indicted for embezzlement, racketeering, and bribery in 1981.

Testifying last year before the President's Commission on Organized Crime, Cunningham explained that when he attempted to sell control of the union to Mike Franzese after going to jail, the latter responded: "Why should I buy something I already own?" Cunningham reported that he was replaced by one of Franzese's sidekicks, who promptly shifted the union's pension fund to a Virgin Islands insurance company that granted Franzese a home mortgage free not only of interest but of principal payments as well.

GARBAGE COLLECTION, which depends on union control, has been a favorite Mafia target. Mob leaders tried unsuccessfully to infiltrate this business in Chicago, Des Moines, and other cities, but succeeded in the New York area, where municipal governments provide garbage pickup just for houses and apartments. Restaurants, hotels, nightclubs, even the United Nations do not get the city's Sanitation Department services; private companies, called carters, do the job. The carters allocate customers among themselves, buying and selling client businesses for from $2,000 to $2 million each. What the carters are buying is the right to overcharge.

Peter Reuter, senior economist with Rand Corp., figures that the allocation scheme inflates private garbage collection prices from 35% to 65% in New York. The harder prosecutors pursue the racketeers, the more notorious the garbage business becomes and the less attractive the business is to legitimate competitors. Says Reuter: "That is the value of a bad reputation."

The only competition is among Mafia families vying for the business. On Long Island the Luccheses and the Gambinos struck a deal to split garbage collection payoffs from various carters. Anthony Corallo (No. 3), the Lucchese boss who is standing trial with Tony Salerno, controlled the employers' group, Private Sanitation Industries Associates Inc. James Failla (No. 36), a Gambino capo, held sway over the garbage truck drivers as overseer of Teamsters Local 813. Every three months Corallo had to pay Failla $50,000 for his cooperation.

Corallo, called "Tony Ducks" because of his previous success in ducking subpoenas, and Salvatore Avellino, his chauffeur-enforcer, thought the best way to eliminate payments to Failla was to start a rival Teamsters local. Through a bug planted behind the dashboard of Avellino's Jaguar, the New York State Organized Crime Task Force overheard him telling a friend how such a rival union could be organized and used: "Let's take a son-in-law, somebody, put them into the [union] office; they got a job. Let's take somebody's daughter, whatever, she's the secretary. Let's staff it with our people." Then, so his listener fully understood how

THE MOB'S OUTSIDE CONSULTANTS

■ Consultants are almost as popular with organized crime families as they are with corporations. These special counsellors —lawyers, labor experts, and political advisers—shuttle between members of the mob and moviemakers, hotel and casino operators, owners of professional sports franchises, corporate chief executives, and public officeholders. They claim to be aboveboard with nothing to hide. But when forced to testify under oath about their underworld connections, they usually become vague.

Chicago lawyer Sidney R. Korshak has represented Hilton Hotels Corp., the Los Angeles Dodgers, and numerous other corporations. Nevertheless, former FBI agent William Roemer describes Korshak as "the most important link between organized crime and legitimate business." He has a marvelous ability to help his clients settle labor difficulties.

Korshak has always been careful to conceal his organized-crime connections. Investigators learned, however, that in 1958 he helped Tony Accardo draw up a contract that paid the Chicago mob boss $65,000 a year as an employee of a wholesaler called Premium Beer Sales. An FBI bug planted in a mob hangout revealed that Korshak used the code name "Mr. Lincoln" in his underworld dealings. Jimmy Fratianno, a gangster-turned-informer, said in his biography *The Last Mafioso*, that the now-imprisoned former Chicago boss Joe Aiuppa told him: "Sid is our man," adding that he has "been our man his whole life." In 1983 Joseph Hauser, a convicted insurance swindler, testified before a Senate labor investigation that Accardo had told him "on several occasions [that] he had sent Korshak to Los Angeles to represent the mob there."

Two years ago Korshak shed a little light on his fixer's role with Hilton. During the hotel's unsuccessful attempt to get a casino license in New Jersey, Chairman Barron Hilton announced that he was dropping Korshak's services because of the Division of Gaming Enforcement's concern about Korshak's underworld connections. The hotel had previously paid him $700,000 in fees.

Korshak fired off an angry response to the chairman that was later turned over to the state's gaming investigators: "I read with interest your disparaging remarks about me," he wrote. "When did you discover that I was associated with characters that shocked your most decent sensibilities?" Korshak added: "You will remember calling me in Las Vegas at six one morning while you were with [movie executives] Kirk Kerkorian and Frank Rothman to ask the unions involved not to strike you. As you well know, there was no fee involved."

Labor consultant Jack McCarthy is still in business even after taking on Rico Construction Co. of Long Island as a client in 1979. Facetiously named after the antiracketeering statute, Rico was an FBI front. In a series of secretly taped conversations, McCarthy agreed to get Rico non-union carpenters for a $5,000 bribe and a promise of future payments.

McCarthy had already served time for accepting kickbacks on Teamster pension fund loans and should have suspected that he was being set up. But he did not. Soon he lured Teddy Maritas, boss of the District Council of Carpenters, into the taped conversations. The FBI promptly arrested Maritas and tried him for working with gangsters to rig bids and shake down contractors. The jury was unable to reach a verdict, and Maritas disappeared before he could be retried. Authorities believe he was murdered. McCarthy pleaded guilty to extortion and went to prison again. He was freed in 1982, but is still under close watch. "We intend to limit history from repeating itself," says Ray Maria, deputy inspector general of the Labor Department.

In Chicago politics and organized crime have always been linked. The FBI has had Pat Marcy, a 1st Ward Democratic leader, under surveillance since the late 1960s. Former FBI agent Roemer told Senate investigators in 1983, "Marcy has been calling the shots of the mob as far as politics is concerned for many, many, many years. He was the conduit through which orders of the Outfit passed to those politicians and public officials who were under their control." And he still is.

the new union's leaders would dispense with a dissident, Avellino added: "and when we say go break this guy's balls . . . they're there, seven o'clock in the morning to break the guy's balls."

Avellino went on to detail how profitable a union could be in overcharging for phantom garbage: "This is what he [Corallo] tells me. A strong union makes money for everybody, including the wise guys . . . because the envelopes [of money] . . . are bigger and better . . . 2,000, 5,000, 10,000, 20,000, 30,000, 50,000 . . . I can't even carry them."

Corallo did not start a Teamster local to rival the Gambino one. But he controls others, notably Teamster locals 295 and 851, whose members play a key role in the $4.2-billion-a-year air freight business at New York's Kennedy Airport. His union clout helped block the proposed $63-million merger in 1983 of Air Express International and CF Air Freight, a subsidiary of Consolidated Freightways. According to Air Express's labor contract, the company had to continue the existing Teamster pact, even if it merged. That was unacceptable to Consolidated. Corallo's men offered to abrogate the contract for $500,000 in cash. Both companies balked at the shakedown and abandoned the merger plan.

Corallo's extortion attempts were usually more successful. Six air freight companies operating at Kennedy—Air Express, Union Air Transport, Kamino Air Transport, Schenkers International Forwarders, Three Way Corp., and Hi's Airport Service—funneled more than $1.1 million to the Corallo mob between 1978 and 1985. FBI wiretaps on the home phone of Corallo's airport overseer revealed the payoffs. Paul Vario (No. 32) and three other Corallo lieutenants pleaded guilty.

IN MANY CITIES mobsters use Teamster connections to shake down legitimate companies. In Detroit, Vincent Meli (No. 41) captured the entire steel-hauling business with the connivance of crooked Teamster officials in Local 124. His trucking company, Trans-Steel, obtained such favorable contracts that it did not even pay drivers fringe benefits. Meli drove all his competitors out of business. "I know of no other industry in the area where organized crime has achieved such control," says Craig Woodhouse, an investigator for the Department of Labor.

Mafia entrepreneurship took a different tack in Scranton, Pennsylvania. There Eugene Boffa, an associate of the local Mafia

boss Russell Bufalino (No. 12), organized what he called a "labor leasing" business. The President's Commission on Organized Crime reported that to get the new venture off the ground, Boffa gave "bribes and kickbacks" to "corrupt Teamsters," including President Jackie Presser. Boffa established 30 labor-leasing companies to provide truck drivers to such giants as Shell Oil Co., Continental Corp., Coca-Cola, American Cyanamid, Crown Zellerbach, and International Paper.

The labor-leasing scheme worked like this: The client "corporations would fire all of their drivers and Boffa would rehire them at a reduced wage," the President's Commission reported. In return, Boffa received fees ranging from 7% to 10% of the drivers' gross wages. Then he handed over 50% of his share to boss Bufalino.

The surest way to get ahead in the Mafia is to kill. That explains the sudden rise to prominence of John Gotti (No. 13). As a petty crook, Gotti had the humiliating habit of getting caught, usually as a result of sloppy bravado. Though he is only 46, he has served prison terms of one year for attempted burglary and four years for stealing truckloads of clothing at Kennedy Airport, and he is on trial for hijacking armored trucks. Law enforcement authorities say he arranged the execution last December of Gambino boss "Big Paul" Castellano and his bodyguard outside Sparks Steak House in Manhattan.

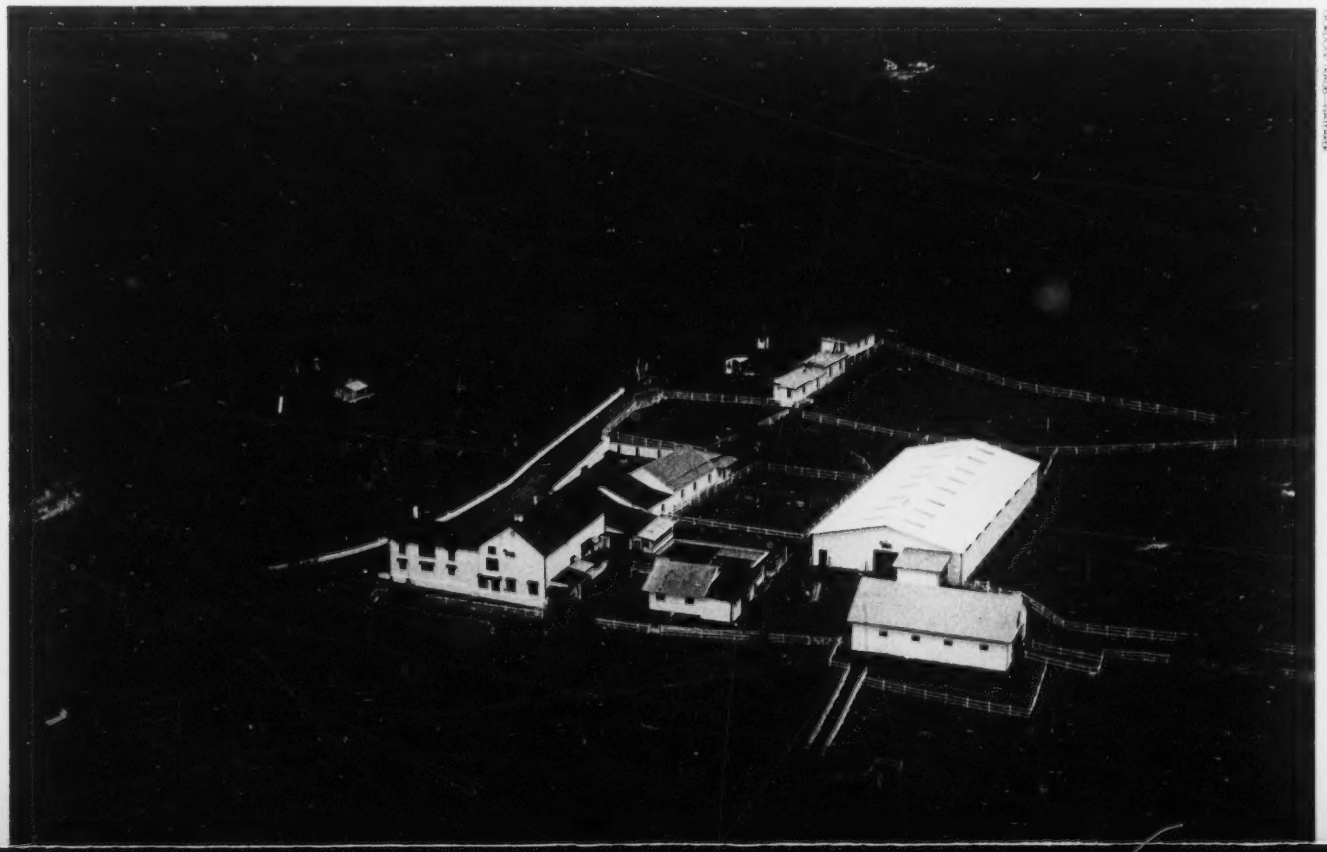
THE PRESS portrays Gotti as the new boss of the Gambino clan and the reincarnation of Al Capone. His custom-tailoring, his black Mercedes 450 SL, his wisecracks in court, even his carefully coiffed pompadour made him a sudden sensation. But his superstar status is more image than substance. He claims to be a distributor of phonograph records. His experience is really as a loan shark, hijacker, and hit man. He does not seem qualified to run the Gambino family's complex businesses, which range from meat and poultry sales to a garment industry trade association. Besides, if he is sentenced to the maximum 45-year prison term, his newly acquired and self-proclaimed control over the Gambino family would evaporate.

The President's Commission on Organized Crime reported that the Gambino meat and grocery operations are so vast that legitimate food producers feel compelled to deal with them. Paul Castellano, Gotti's victim, ran Dial Poultry Co., a large distribution company in Brooklyn, now managed by his sons Paul Jr. and Joseph. Big Paul's cousin Peter Castellana Sr. is listed as sales manager of Quarex Industries, another wholesale company with sales of more than $100 million.

Frank Perdue, who heads the famous $840-million-a-year chicken processing company, used Dial Poultry to distribute his chickens. Perdue's relationship with the Castellanos, as the President's Commission put it, shows that some legitimate businessmen turn to "organized crime-connected companies" to gain a competitive edge.

Initially, Perdue told the President's Commission, he was reluctant to have anything to do with Dial because of Paul Castellano's notoriety as a Mafioso. But when Perdue saw Dial as a way of expanding his sales, he recalled, "I started saying to myself, 'Why shouldn't I have some of that business?' " As his sales to Dial increased, Perdue sought Big Paul's help in fighting a union-organizing campaign at his processing plant in Accomac, Virginia. Perdue explained: "I just thought, you know, they have long tentacles, shall we say, and I figured he may be able to help." By long tentacles, Perdue said that he meant

The good life: *Tony Salerno and his wife, Margaret, enjoyed their picturesque estate in Rhinebeck, New York, which includes barns and a riding ring.*



AN EQUAL OPPORTUNITY EMPLOYER

■ Organized crime in the U.S. is not a Mafia monopoly. Members of the Chinese Triad secret societies and Japanese Yakuza have acquired growing influence in Hawaii and on the West Coast, where their legal and illegal enterprises range from prostitution and heroin to commercial real estate. Vietnamese underworld gangs operate in California and Texas, and the so-called Israeli Mafia is based in Los Angeles. Even a Russian emigré gang works extortion and narcotics rings in New York City. And in September a jury convicted 11 members of a Taiwanese crime syndicate, United Bamboo, of racketeering and drug dealing in the same Manhattan courthouse where eight of the top 50 Mafia bosses are now on trial.

At least three other groups have become strong enough to strike deals with the Italian-American mob. Most powerful are Colombian cocaine and marijuana traffickers, who are shattering the widely held assumption of Mafia omnipotence.

For one thing, the Colombians' sources of supply, their cocaine-processing labs, and their armed strongholds in Latin America are beyond the Mafia's reach. For another, Colombian gunmen in the U.S. are known not only for shooting their targets, but for picking off the victims' relatives as well. Even Genovese and Bonanno hitters are afraid to challenge these wild men, preferring a policy of appeasement, and a cut of the profits for serving as their distributors.

Perhaps the biggest cocaine trafficker is Colombian Carlos Enrique Lehder Rivas, 38, a fugitive from the Drug Enforcement Administration who is also known as Joe Lehder. Arrested in Detroit in 1973 for smuggling stolen cars, Lehder was imprisoned for two years and then deported to Bogotá. Back home he got into the drug business, acquiring jungle plantations and processing labs. He also assembled a private army and a fleet of fast ships and planes, and built a well-guarded base for his smuggling activities on Norman's Cay in the Bahamas.

With the assistance of fugitive American financier Robert Vesco, Lehder's men struck a deal with Fidel Castro's officials to let drug-laden planes fly through Cuban air space unimpeded for two hours a day. Federal agents estimate that Lehder's cocaine sales in the U.S. range from 500 to 1,000 kilos a week. At a rock-bottom price of $6,000 per kilo, his annual revenues would come to between $160 million and $320 million.

U.S. agents investigating Lehder believe he is hooked on his own wares. He fancies himself a Marxist revolutionary called "Comandante Rambo" but runs

Cocaine king *from Colombia, Carlos Lehder Rivas is wanted by the feds.*

his far-flung operations from the cockpit of a Learjet. He also owns a newspaper that publishes anti-U.S. diatribes. He pronounced death threats against U.S. diplomats in Colombia and the agents trying to close down his business on American soil.

Other crime groups, such as the Pagan Motorcycle Club and the Cuban "Corporation," have also reached accommodation with various Mafia families. The Pagan "bikers," who are Americans, work with the Philadelphia mob in drug trafficking and extortions, while the Corporation (estimated annual net profit: $45 million) operates numbers games in New York and New Jersey. The Cubans reportedly surrender a small percentage of their gross revenues to the Genoveses and Bonannos. But in Gambino territory the split goes the other way. To keep the peace, the Gambinos give 35% of all gambling proceeds—horses, casinos, and numbers—to the Cubans.

"Mafia" and "mob" connections. Castellano, who said, "Accomac is a long way from Brooklyn," did not do anything to help Perdue.

The Mafia's net income, the gross revenues less such overhead costs as salaries, transportation, entertainment, and payoffs, is conservatively estimated at $30 billion a year by the President's commission. But the profits present a bit of a problem. Much of the money comes in $10 and $20 bills; making a big purchase with, say, hundreds of pounds of greenbacks could be incriminating. Before this dirty money can be safely spent or pumped into legitimate businesses, it must be laundered.

One solution is to employ clandestine couriers to transport the cash to banks in the Bahamas, Switzerland, or Hong Kong. But an easier way was the system used by Gennaro Angiulo (No. 34), the silver-haired underboss in Boston. Workers in Angiulo's North End headquarters merely stuffed the money into brown grocery bags and walked three blocks to a branch of the First National Bank of Boston. They returned with cashier's checks.

Even though Angiulo acquired an ocean-front estate in suburban Nahant and a $320,000 yacht to go with it, his bucket brigade of deposits drew no special attention. The myriad transactions occurred despite a federal regulation passed in 1970 that required all banks to report cash receipts of $10,000 or more. In 1981 the U.S. government deployed agents to eavesdrop on Angiulo's operation. The inquiry resulted in racketeering charges against Angiulo and deep trouble for the Boston bank.

Angiulo's associates purchased cashier's checks totaling $8.3 million between 1979 and 1982, according to the federal investigation. The bank failed to report 105 checks bought for $1.8 million in cash, as well as some $1.2 billion in foreign cash transfers, unrelated to Angiulo. The bank pleaded guilty and was fined $500,000. Angiulo was fined $120,000 and sent to prison for 45 years. At his trial it was disclosed that the FBI, using wiretaps, had overheard the following admissions:

"We buried 20 Irishmen to take this town over," bragged Angiulo. "We are bookmakers. We're selling marijuana. We are illegal here, illegal there. Arsonists. We are everything."

"Pimps," added a sidekick.

"So what!" snapped Angiulo, unwilling, it seemed, to omit one division from his complete catalogue of businesses. ■

COMPETITION

A RUST BELT CITY TAKES ON A SHINE

Cities galore play the game of wooing new industry. But few have wooed more ardently—or reversed an economic slide faster—than Fort Wayne and its go-getting mayor, Win Moses. The city bagged jobs by sticking to what it knows best: manufacturing. ■ *by Jeremy Main*

EVEN AMONG Rust Belt cities devastated by the recession and the decline of heavy manufacturing, Fort Wayne, Indiana, seemed in 1982 to be down on its luck. In March, a once-in-a-century flood swept the city's downtown, which in any case had pretty well fallen apart. In the fall, International Harvester, Fort Wayne's biggest employer and the company generations of Fort Wayners had counted on for permanent and well-paid employment, announced it was shutting down its truck-building operations. When winter set in, friends and relatives ferried hot coffee to those waiting in lines that curled around the block at the unemployment office. The soup kitchen run by St. Mary's Catholic Church served 1,100 meals a day—in a city of 170,000. By February 1983, unemployment in Fort Wayne peaked at 14.5%, vs. a U.S. average of 11.3%.

Since those dismal days Fort Wayne, whose metropolitan area comprises three counties with a population of 350,000, has mounted such a strong economic recovery that unemployment, now 5.7%, is 1.3 percentage points below the national average. Fort Wayne has proved that being an industrial city in the Rust Belt is not an incurable disease. Other industrial Midwestern cities have barely begun their recovery (see table), and the region as a whole is only slightly better off than it was four years ago.

In December, Fort Wayne will crown its job-hunting campaign when General Motors starts making pickup trucks at a new $500-million plant. The highly automated plant, GM's most modern for the moment, will employ 3,000 people, mostly workers brought in from GM sites elsewhere. Their paychecks will add fuel to the local economy, creating an estimated 3,500 additional jobs. Burlington Air Express, the second-largest air freight service in the U.S., last year made Fort Wayne its national hub. The city has also persuaded companies long established in the area, such as GE, ITT, and Magnavox, to expand rather than cut their work forces or pull out.

Instead of letting Fort Wayne lie down and die in 1982, politicians, businessmen, labor leaders, philanthropists, and many ordinary citizens responded with a single-minded drive to make the city well again. Its leaders include Ian M. Rolland, 53, president and chief executive of Lincoln National Corp. (assets: $13.5 billion), which ranks 15th on FORTUNE's list of diversified financial companies, and Richard K. Doermer, 63, president of Summit Bank (assets: $1.2 billion)

Home-grown, like Lincoln National, Rolland is a contributor and activist. He led an effort to turn the moribund chamber of commerce into an aggressive, well-financed pursuer of new business. He headed a $4-million campaign to build a new art museum and is now running a $7-million campaign for the city's Fine Arts Foundation. Rolland has also pushed the local school authorities to speed up the integration of the inner-city elementary schools, which remain mostly black. Doermer has hit the road and telephone in an effort to cajole companies to move to Fort Wayne or expand there.

Winfield Moses Jr., a pudgy, cheerful young homebuilder with a rich mop of dark hair, became the city's chief cheerleader and sales-

In the grim years, *Fort Wayners feared that ribbon-cuttings were a thing of the past. Recently Mayor Moses (center) opened an exhibit of houses built to meet a growing market.*

Quality of Life That Sells a City

Fort Wayne's government and civic leaders have pushed for amenities to make Fort Wayne a more attractive place to live—and therefore more likely to lure new business. Some of the attractions include (clockwise from bottom left): good schools; a children's zoo undergoing expansion; well-tended and ample parks; and downtown improvements, such as a block of Calhoun Street with new trees, benches, and sculpture on the sidewalk.

man after he was elected mayor in 1979. Says Moses: "Essentially, we buy jobs, just as you buy any product." Fort Wayne buys jobs with low-interest financing, tax abatements, grants, gifts, job training, and city amenities such as those above. Other cities pitch such attractions, but Fort Wayne does it so wholeheartedly, and with such close cooperation between city officials and business, that the results are spectacular. The metropolitan area hasn't yet won back all 37,600 jobs it lost in the early 1980s, but it has regained 35,400, boosting the recent total to 180,200. That does not count new jobs in the pipeline, including those to be generated by GM.

Success doesn't mean Fort Wayne has stopped hurting. St. Mary's soup kitchen now serves 1,200 meals a day. Ed Elkins, who runs the East Wayne Street Center, a private charitable group, says the city still has a "very significant underclass" of people who don't have the skills to learn sophisticated new manufacturing jobs. Many are blacks, the only significant minority, who make up 15% of the city's population. Some old International Harvester employees—no one calls it by its new name, Navistar—are still looking for work. Those who find it can rarely match the average $12.50 an hour once paid by Harvester, although GM will be paying assembly workers $13 an hour.

For all the hangovers from the recession, Fort Wayne is booming. Part of the city's success is sheer luck—the luck of being on Interstate 69 within half a day's truck drive of much of industrial America, and the luck of being in Indiana, which treats business handsomely. Indiana has generous tax abatements, minimal bureaucratic red tape, and a Republican state government that seeks new business enthusiastically, even for Fort Wayne and its Democratic mayor. Indiana also has the lowest insurance rates for worker's compensation and the lowest unemployment insurance taxes in the U.S.

Fort Wayne has a well of originality and gumption to draw on to solve its problems, going back to 1885 when Sylvanus Bowser invented a device that led to the modern gas station pump. Another invention made the city the center of the production of magnetic wire used in electric motors. The late Senator Homer Capehart put his Capehart Auto-

REPORTER ASSOCIATE *Rosalind Klein Berlin*

PHOTOGRAPHS BY RON GEIBERT

Local movers *include Lincoln National chief Ian Rolland and his equally activist wife, Mimi.*

matic Phonograph Co. in Fort Wayne and won a patent for the jukebox in 1931. Philo Farnsworth, one of the inventors of TV and founder of a company bearing his name, acquired Capehart in 1939, and ITT bought the merged companies in 1949. In the 1930s Magnavox, headquartered in Fort Wayne but since acquired by the Dutch company Philips, coined the terms "woofer," "tweeter," and "stereophonic." In the same decade local GE engineers developed the garbage disposal, nicknaming it the electric pig.

So successful was Fort Wayne that its business leaders grew complacent about attracting new business in the 1970s. "Our marketing skills as a community were nonexistent," says Thomas J. Eckrich, 48, who owns and runs a real estate firm called Northill Development Corp. But even before the need became obvious, Moses was reshaping the city government to make it an instrument of economic growth. In 1981 he raised Fort Wayne's obscure office of urban grants to a cabinet-level department of economic development responsible for all the services a new company might want, such as tax abatements and financing.

Even opponents admit that Moses has done well for the city. Indiana politics can get rough, and the mayor has had his battles with the Republicans who rule surrounding Allen County. But when it comes to creating jobs, they work together. In many other cities giveaways to new industry have led to grousing by companies long on the scene that get nothing. Some cities have sued to force companies to live up to their promises. Not in Fort Wayne. "There's a lot I don't like about Moses," says Orvas Beers, the powerful Allen County Republican chairman, "and he takes a lot of credit he doesn't deserve, but he's an asset." Beers adds slyly, "He is a lot more popular than you'd expect after being charged with felonies."

After Moses won reelection in 1983 by a 73% majority, his opponent charged him with failing to report a campaign expenditure, and he was indicted for felonies. After plea bargaining, he was convicted of misdemeanors and received a fine and a suspended sentence. He resigned and was immediately reappointed mayor by the town's Democratic precinct chiefs. Stewart Spencer, editor of the *News-Sentinel*, says the public dismisses the incident as the "political equivalent of a speeding ticket."

UNEMPLOYMENT RATES

1983		1986	
Detroit	16.7%	Detroit	9.1%
FORT WAYNE	**14.5%**	Cleveland	7.5%
Akron	14.5%	Pittsburgh	7.4%
Pittsburgh	13.3%	Chicago	7.2%
Milwaukee	13.3%	Akron	7.2%
Cleveland	13.0%	U.S.	7.0%
Chicago	12.1%	Milwaukee	6.1%
Indianapolis	11.5%	Columbus	5.8%
U.S.	11.3%	**FORT WAYNE**	**5.7%**
Columbus	10.3%	Indianapolis	5.1%
Minneapolis	8.4%	Minneapolis	4.1%

SOURCE: BLS CHICAGO REGIONAL OFFICE

Joblessness Slashed

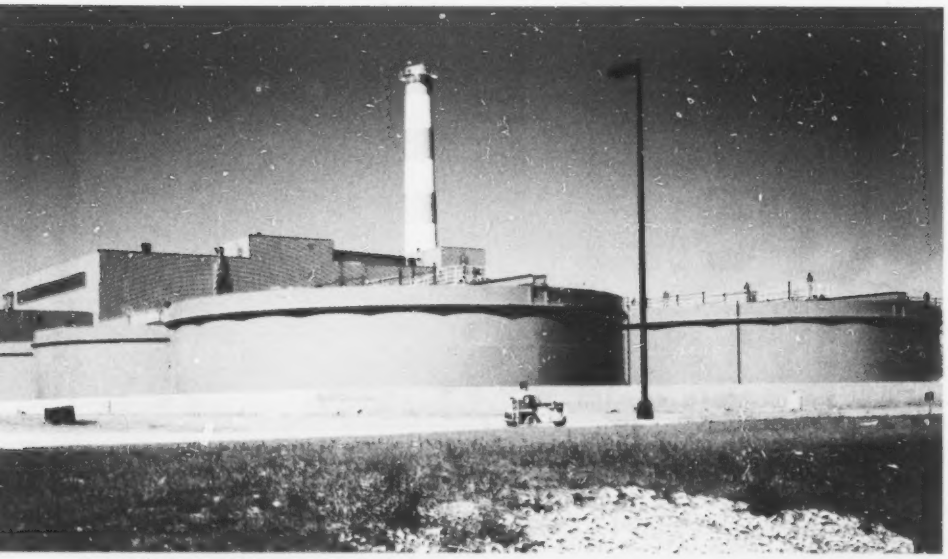
When the jobless rate for the Fort Wayne metropolitan area peaked in February 1983, it was among the worst in the U.S. According to July figures, not seasonally adjusted, the city is now doing better than the U.S. as a whole and most of its Rust Belt counterparts.

THE CITY'S business leaders were slower than Moses to see what was needed. The events of 1982 changed all that. First, an outpouring of volunteers to build sandbag dikes during the flood showed that the city still had plenty of spirit. The city's leaders woke up when they heard Harvester might leave. The company had already cut its work force sharply from a peak of 10,500 in 1979. Says Summit Bank's Doermer: "Up to the time of the International Harvester closing, we had been wringing our hands, but that rallied us."

At first, Fort Wayne fought to keep Harvester. Moses, now 43, slimmer and a little gray, remembers the summer of 1982 as "120 physically excruciating days." Harvester had truck operations in Springfield, Ohio, and Fort Wayne, and decided to concentrate production in one of these cities. The company told Fort Wayne the state of Ohio had promised to give it $30 million. What could Fort Wayne do against the might of Ohio? Much to their own surprise, the city leaders worked out a matching $30-million package, with only $4 million from the state. Moses and others made half a dozen visits to Harvester headquarters in Chicago. But in the end, the company shut the Fort Wayne plant and laid off its remaining 2,800 workers.

Even in the middle of the Harvester battle, Rolland and others began to reorganize their marketing efforts. To fire up the clubby chamber of commerce, they brought in a colorful new boss, Richard G. Clark, who somehow was able to convey optimism even as Harvester pulled out. Other organizations such as the Convention and Visitors' Bureau were brought under Clark's umbrella, concentrating the city's energies.

To finance Clark's efforts, the chamber temporarily hired a successful fund-raiser from Notre Dame University, Thomas Pilot, and set out to raise $6.3 million. Exceeding its goal by 50%, the chamber gathered $9.2



GM's $500-million truck plant, *which will employ 3,500, is Fort Wayne's best catch so far.*

million with the help of $1 million from the city, $500,000 from Rolland's Lincoln National, and another $500,000 from a local foundation. The money went for beefing up the staff of the chamber, hiring a New York public relations firm, placing ads in business magazines, and sending teams out to sell businesses on moving to the Fort Wayne area. Doermer recalls a successful visit to Appleton to help persuade Air Wisconsin to put its central maintenance facility at Baer Field, an airport jointly operated by the city and Allen County.

ROLLAND AND OTHERS pushed for the creation of a Corporate Council of 40 of the top leaders in the area, including businessmen, the mayor, educators, and county officials. The council's goal is not only to attract business, but also to make the city a more attractive place. The basics were already there—a well-run city with well-manicured parks full of flower beds; attractive, reasonably priced housing; and a peaceful atmosphere rarely spoiled by anything as rude as a car's horn.

Although much of downtown Fort Wayne is still a wasteland of parking lots and boarded-up stores, the revival is well under way. In addition to a new art museum, the city has a $5-million botanical garden enclosed in three striking, angular greenhouses and a $4-million performing arts center designed by the late Louis Kahn. To demonstrate Fort Wayne's cultural awareness, city hall treats telephone callers who are put on hold to Vivaldi.

To make sure the world heard about all the good things happening in Fort Wayne, Moses campaigned to win awards for the city, not out of mere boosterism but to establish its credentials as a good place to live and work. He succeeded. In 1983, for example, President Reagan presented Moses with the National Municipal League's All-America City award for Fort Wayne's innovative response to its problems. The city's first efforts to exploit these attributes and collar new business were hesitant. Moses and his staff investigated and rejected the idea of turning the area into a Midwest Silicon Valley, but not before losing $1 million in an unsecured loan to a microcomputer company in Ohio that went bankrupt before it could move to Indiana. Typically, according to his aides, Moses didn't try to pin the blame on anyone but prodded his people to refine their ideas about what the city could do best.

Fort Wayne's traditional skills are in manufacturing, but Moses did not want low-technology industries. "They were lost to Korea and Mexico," he says. "So we had to concentrate on high-tech, computerized manufacturing." He wanted state-of-the-art plants so efficient that they would be the last to close in a recession. He also wanted plants that could "compete on a global basis," as he puts it, and not lose out to Asian competition within a few years of opening their doors. Indeed, he would welcome an Asian company in Fort Wayne but has had no nibbles yet. He has visited Japan in search of business, and the chamber of commerce has hired a Japanese businessman as a consultant.

The biggest monument to Ft. Wayne's success, the new GM truck plant, is about ten miles southwest of the city limits on Interstate 69. Since the plant means payrolls, suppliers, retails sales, and housing in the city as well as its suburbs, Fort Wayne fought for it as hard as if GM wanted to build within the city. James Falloon, a 46-year-old Canadian who will manage the plant, says location was the decisive factor in the choice. To accomodate just-in-time inventory controls, the plant had to be within 200 to 300 miles—a one-day round trip for a truck—of most suppliers. Fort Wayne met that re-

The new national hub *for Burlington Air Express keeps the Fort Wayne airport busy at night.*

Retailing rises *in a plant abandoned by International Harvester, once the city's main employer.*

quirement, but so did other cities. The state and the city then piled on the incentives for choosing Fort Wayne.

"The town was so positive about us we were leery," says Falloon. The city agreed to spend $9.5 million on water lines and sewers for the plant and sold $31 million in low-interest bonds to finance pollution controls. Allen County threw in $2.75 million for improvements to local roads. The state paid $20 million to convert the simple interchange on Interstate 69 to a full double clover to handle more traffic, and added $11 million, including $5 million for on-the-job training. The sweeteners totaled $70 million, not counting a ten-year property tax abatement that will save GM an estimated $14 million.

What will the Fort Wayne area get in return for all these taxpayer-supported inducements? The plant will generate $100 million a year of spending in the area by GM employees, who will create new jobs in a kind of "multiplier" effect, and will pay about $3 million a year in state income taxes and $5 million in sales taxes. The imported workers will need new housing, which will swell property tax revenues.

Another important catch settled at Baer Field. When California-based Burlington Northern Air Freight decided last year to establish its own jet fleet it needed a central hub where the planes could meet every night to swap loads. Three serious candidates emerged: Indianapolis, Columbus, and Fort Wayne. Any would have served well, but Moses made the best offer. The city remodeled a large building it owned at the airport and leased it to the company, which has just changed its name to Burlington Air Express. Formerly owned by Burlington Northern Railroad, it is now a subsidiary of Pittston Co. The city, with federal help, is lengthening the runways and has promised further improvements. Residents complain about the noise at night, but the city isn't about to silence a business that is investing $100 million in the area and employing 350 people.

FORT WAYNE has also fought successfully to retain established industries that might have moved. General Electric, a longtime resident, cut its work force from 10,000 in the 1960s to 2,900. Some 550 workers were scheduled to be laid off in 1984 and 1985. However, a GE plant in Cincinnati needed more space for its fast-growing jet engine business. Fort Wayne lured part of this high-tech operation, the manufacture of electronic controls, with a variety of attractions, including tax abatements and help in retraining workers. Instead of cutting jobs, GE wound up with a net gain of 150.

Other veteran Fort Wayne employers have been expanding. When ITT won a contract to develop the Army's new family of tactical field radios, it had a lot of empty plants around the country it could have used, but Fort Wayne came up with another irresistible proposition. A nonprofit city corporation built a $4-million plant for ITT in a new industrial park and made it available to ITT for a nominal $1,000-a-year rent for five years. ITT has doubled its Fort Wayne employment in three years to 1,300 and plans to double it again in the next three. Says Karl Bandemer, a builder who was the city's director of economic development until recently: "We hit a home run with ITT."

The city's biggest employer, Magnavox, chose to spread out mostly in the Fort Wayne area as its military electronics business grew. Other states offered inducements, says President James R. Loomis, but couldn't match the skilled and willing labor available in Indiana. "The work ethic of the people coming off the farms is absolutely unbelievable," says Loomis. Magnavox employment in the area has grown from 3,000 in 1979 to 7,100 today.

The renewed vitality of manufacturing has given a great boost to local industries, especially housing, which almost came to a stop in the early 1980s. Thomas L. Guthrie, director of the Community Research Institute at the combined Fort Wayne campus of Indiana University-Purdue University, says single-family housing permits will probably total 2,300 this year, compared with the previous high of 2,000 in 1978. "The market is going wild," he says.

Like other developers, Joe Zehr, 45, barely survived the bad years. He took up strip mining in southern Indiana and erected condominiums in Dallas while trying to carry 500 unsold lots in the Fort Wayne area. Business began to pick up as early as 1983, and now Zehr has $35 million of work on the books.

Time will tell whether the benefits of luring industry to Fort Wayne truly match the costs. At first, the city was so far down it had to grab what it could, and hang the expense. "There are too many communities chasing too few industries," says Karl Bandemer. "It's crazy. But it's the game. You have to pay to play." Fort Wayne is playing, paying, and winning. Now that the crisis has eased, says Moses, "we're filling in jobs more selectively, and moving away from giveaways." Fort Wayne can now take a more hard-nosed look at which companies come to town, and how much they will cost. ■

AMERICA'S MOST ARROGANT UNION

With six-figure salaries, members of the Air Line Pilots Association don't have much in common with their union brethren and don't mind crossing picket lines. ■ *by Kenneth Labich*

LORD KNOWS, it was fun while it lasted. You were one of the elite, an Air Force or Navy flier who moved up the ranks with top-gun swagger. Then you slid into a cockpit for Delta or American, pulling down a heavy six-figure salary for maybe 80 hours a month in the air. Plenty of time to work on your backhand or your handicap or whatever. Everyone admired you, from wide-eyed kids who tossed salutes as they boarded to equally wide-eyed airline executives who paid you so well and blithely passed the tab to the customers. *Strap in. Sit back. Relax. Captain Right Stuff is taking everyone for a ride.*

Those days are gone. Deregulation changed the rules. Pilots, along with the rest of U.S. airline employees, are confronting combative managers who demand deep wage cuts and work rule concessions. The pilots' principal union, the 40,000-member Air Line Pilots Association (ALPA), is fighting back, as any union might be expected to do. But this is no ordinary union. ALPA has more in common with, say, the American Medical Association than with the Teamsters or United Auto Workers, or even with other airline unions. ALPA members average over $80,000 a year, and a few senior captains rake in more than $200,000. Union President Henry A. Duffy, 52, a Delta captain, is something of a champ. ALPA pays him $225,000 a year, including allowances for personal expenses. His salary is based on the pay of the highest-paid pilot in the union.

Nor do the pilots exactly stand shoulder to shoulder with their brethren in the labor movement. They have outraged other airline unions by crossing picket lines when it suited them, and they have sometimes cut private deals with management at the expense of the machinists and flight attendants. Last summer, in order to protect their own seniority, United's pilots blocked the airline's bid to acquire Frontier. Frontier promptly went bankrupt, and 4,700 employees—including 520 ALPA pilots—lost their jobs. "In the final round we were sacrificed. They were looking out for their own interests," says Lorraine Loflin, chief negotiator for Frontier's flight attendants' union.

GORDON TRALIS—WAYFARER

Lobbying the White House *is part of the job for Henry A. Duffy, president of the pilots' union.*

ALPA members play rough in other ways. During a month-long strike against United last year, ALPA pilots rented a hotel room near O'Hare Airport in Chicago and trained binoculars on the runways. By recording the serial numbers of the United planes still flying, the union was able to trace the pilots' identities through airport records. Then ALPA members tried to badger them into honoring the walkout. The union, based in Washington, D.C., is girding for more battles. By hiking dues from 1.35% of annual wages to 2.35%, it is building a $100-million war chest to support strikes.

It is hard to see how ALPA can prevail in the long run. "The pilots seem to think that if they stick their heads in the sand, all this bad stuff will go away and things will return to the good old days," says David L. Pringle, United's senior vice president for human resources. Leaving aside the unlikely possibility that Congress will put airlines back under its regulatory thumb, market forces will keep pushing airlines to cut costs. As one Wall Street investment banker familiar with the industry puts it: "If you've got someone fly-

REPORTER ASSOCIATE *Alan Farnham*

ing a plane for $150,000 a year and another guy doing the same thing for $75,000 a year, the free market has a way of eliminating the $150,000 guy sooner or later."

Such concerns were unthinkable until the early 1980s, when the industry's new economic realities began to appear. In 1982 Frank Lorenzo, 46, the implacably anti-union chairman of Texas Air Corp., acquired Continental Airlines. He filed for bankruptcy, then immediately reopened Continental as a nonunion carrier paying lower wages. ALPA called a strike, but hundreds of Continental pilots, including some newly hired ones, crossed the picket lines. Things turned ugly. Someone torched a barn on the property of a nonstriking pilot in Colorado. A bloody elk's head smashed through the front window of another nonstriker's house. Two strikers were arrested when police caught them carrying pipe bombs, disguises, and maps marked with the locations of nonstrikers' homes. One of those arrested had previously taken off his uniform pants and marched through the Houston airport with a sign on his back that said: WORKING FOR LORENZO AT HALF-PRICE IS LIKE BEING HALF-DRESSED. IT'S STUPID.

CONTINENTAL continued to fly, and the ineffective strike sputtered on for more than two years until ALPA finally authorized those pilots who were still striking to apply for their old jobs back at the lower pay scale. It was a crushing defeat, and ALPA's national leaders realized that in Lorenzo they had acquired a formidable foe. "We would rather have peace," says Duffy. "But if you've got somebody that is just hellbent to destroy you as a union or run you off the property, you're going to have to take him on with every traditional labor practice there is."

Duffy and his pilots were soon tangling with Lorenzo again, and this time they managed to thwart him. In the spring and summer of 1985 the Texas Air chief seemed to be close to winning a spirited battle against several contenders for control of TWA. But ALPA officials at the carrier offered financier Carl Icahn a deal in which they would take a 26% cut in pay and benefits in exchange for a block of stock. Icahn was not exactly known as a friend of labor, but he seemed better to the pilots than Lorenzo. The concessions allowed Icahn to top Lorenzo's offer.

By carefully planning the strike against United, ALPA managed to mostly shut down the giant airline. The union set up centers around the country to provide emergency cash and counseling services for anxious pilots and their families. The 560 or so new pilots United put into training to help break the strike refused to cross picket lines. On the other hand, United showed its power too. Despite losses of $940 million, United stuck to its demand for a two-tier wage system like the one American Airlines had won from its non-ALPA union two years before. Eventually the pilots agreed to United's two-tier system, though in slightly watered-down form.

The ALPA pilots outsmarted themselves during negotiations with Eastern Air Lines earlier this year. Management, burdened by huge debt and buffeted by non-union competitors, had been demanding deep wage cuts. The pilots balked even when they learned that in the absence of wage concessions Eastern might sell out to Frank Lorenzo. Hiring the investment banking firm of Lazard Frères to find another buyer, they continued to hold out until it was too late to block Lorenzo's bid. Eastern's unions made a final effort to find another alternative in early October, but the Transportation Department has given its approval to the deal and it seems likely to go through.

Some of Eastern's other unions are still fuming over the pilots' intransigence, and their anger seems justified. According to John Simmons, a Massachusetts labor relations expert who monitored the Eastern talks, the unions failed to fend off Lorenzo in large part because ALPA early on refused to join the other groups in a collective effort. "The pilots seem to feel that they're smarter than the managers," says Simmons. "They think they can run the airline better, and this attitude—call it professional arrogance—almost guarantees that they'll be unable to sit down with the other unions. And if you can't cooperate with your brothers, then you've got real trouble."

The pilots have annoyed their colleagues even in some of the recent mergers and takeovers that have proceeded fairly smoothly. One basic sticking point: ALPA negotiators often insist everyone take the same percentage cut when wage concessions are being negotiated. A $150,000-a-year pilot might be pinched some by a 10% or 20% cut. But the $30,000 mechanic or the $18,000 flight attendant could have trouble surviving. "If they're going to be a union, they are going to have to stop being self-centered and support basic labor principles," says William F. Genoese, director of the Teamsters' airline division, which represents some flight attendants, among other airline workers.

Sometimes ALPA locals wind up in conflict with each other. When the crunch came during the United-Frontier negotiations last summer, the ALPA unit at United made it clear that even fellow pilots were not worth saving. If the merger had gone through, some Frontier captains would have displaced United pilots on desirable routes once the two seniority lists were blended. "Our guys saw it from a completely selfish point of view," says David Pringle of United management. "There was nothing in it for them, and so a lot of people are out of work." The ubiq-

AIRLINE	NEW HIRE	FIRST OFFICER	CAPTAIN
UNITED	**$22,000** For flying 727 on domestic routes	**$81,000** For flying 727 on domestic routes (12 years' seniority)	**$156,000** For flying 747 on Pacific routes (30 years' seniority)
AMERICAN	**$26,000** For flying 727 on domestic routes	**$77,000** For flying 727 on domestic routes (10 years' seniority)	**$143,000** For flying DC-10 on Atlantic routes (25 years' seniority)
TWA	**$22,000** For flying 727 on domestic routes	**$52,500** For flying 727 on domestic routes (12 years' seniority)	**$110,000** For flying 747 on Atlantic routes (20 years' seniority)
PEOPLE EXPRESS	**$12,000** For flying 727 or 747 on all routes	**$36,000** For flying 727 or 747 on all routes (3 years' experience)	**$68,000** For flying 747 on all routes (5 years' experience)
ALPA AVERAGES	**$18,000–$24,000**	**$70,000** (14 years' seniority)	**$104,000** (22 years' seniority)

The Ups and Downs of Airline Pilots' Wages

Pilots at most major carriers get approximately the same pay, but they took a deep cut at TWA to keep out Frank Lorenzo. By comparison, pay scales at non-union People Express are puny.

uitous Frank Lorenzo subsequently agreed to acquire Frontier and its parent, People Express, and many of the laid-off employees may eventually be absorbed into his expanding empire. But most of Frontier's employees have been grounded since the carrier ceased operations at the end of August.

Duffy is aware that ALPA has an image problem with other unions and, to some extent, with the public at large. Occasionally it supports pro-labor legislation on Capitol Hill. "Some of the things we testify about are directly related to our business," says Duffy. "But some have to do with good old-fashioned unionism." ALPA also backed off from trying to organize the air controllers when pilot had followed proper procedures.

When ALPA officers speak out on safety issues, they often seem to be simply criticizing management. Duffy thinks air safety has been compromised because of the economic pressures brought on by deregulation. He ticks off some of the recent moves he says airlines have made to cut costs: eliminating walk-around inspections by mechanics before each flight, calling for reduced amounts of reserve fuel on some flights, removing life rafts to lighten the aircraft and save fuel.

While Duffy is correct about these changes, the Federal Aviation Administration and the airlines argue persuasively that safety has not been compromised by any of

Striking pilots *at Continental held out for nearly two years before accepting lower pay.*

other unions within the AFL-CIO claimed prior jurisdiction. The pilots did not support the illegal, ill-fated controllers' strike of 1980. But ALPA's national leadership now backs the rehiring of some former controllers, charging that the air control system is dangerously understaffed.

The union tries to win public approval by stressing its air safety research. ALPA has sophisticated testing equipment in a sleek office building near Dulles Airport in Virginia. But even its safety work sometimes smacks of self-interest. The union often uses its laboratory to challenge allegations of pilot error when an accident takes place. ALPA technicians worked ten years on one case involving a Piedmont pilot accused of damaging his aircraft during a landing. By enhancing tapes made by voice recorders in the cockpit, the union was eventually able to prove that the them. A spokesman for American Airlines points out that pilots continue to make the preflight walk-around. Fred Farrar, a spokesman for the FAA, says the government enforces generous reserve fuel standards. As for life rafts, 14 carriers have sought and received permission to take them off aircraft over the years. But the FAA insists it grants waivers only on over-water routes that are close enough to shore to enable a disabled plane to reach land, such as the New York to Miami run along the East Coast.

ALPA's safety research is now matched by economic research. ALPA has a team of staff economists who carefully chart traffic flow and financial changes at each of the major airlines. The idea is to be prepared with independent financial analyses when the union representatives sit down with management to negotiate new contracts. The union also has a team of lawyers and negotiators who work with local units around the country and provide backup support at contract talks or during grievance proceedings.

Seth Rosen, the chief of ALPA's negotiating team, argues that the consolidation the industry is now going through will help pilots regain their old power. When airlines become huge, he says, they have trouble operating during a strike, as the United case proved. He even thinks it would be possible to call a nationwide strike, with pilots at several airlines going out at once. But surely his view is too rosy. Could the fractious locals ever get together? And as consolidation picks up speed, Frank Lorenzo is bound to wind up as one of the industry's biggest players. He most likely will soon be running the largest airline operation in the U.S., with about 20% of the traffic. He will no doubt squeeze down his costs, sometimes at the expense of his employees' wage scales. He could, for example, limit the damage of a strike against Eastern by picking up some of the traffic on his non-union lines. Lorenzo in turn will put added pressure on his big competitors to bring down their costs as well.

FOR MANY PILOTS, new stress about their future has brought on some profound personal changes. As a group, airline pilots have traditionally been a highly conservative bunch with Establishment values. Mostly prosperous former military officers, they have by and large supported Ronald Reagan and the Republican party. But now, bloodied in their struggles against airline management, many of them have turned against the current Administration because of what they perceive as antilabor bias. Some of the same pilots who once basked in the glow of an indulgent management have become firebrands. "We've got people out there who want to shut down the whole world," says Duffy.

That attitude will only heighten the labor-management tensions in the airline business today. Nor will the ALPA militants impress their colleagues in other unions, most of whom still wonder whether they will ever share a common view with a group that has had such a merry time of it for so long. A consultant to other airline unions likes to tell of an acquaintance, an Eastern Air Lines captain, who recently retired in disgust at the age of 52. The job isn't what it used to be, the intrepid pilot pronounced. He used to go out with movie stars, and now he has been reduced to dating flight attendants. ■